

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 5745

WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD

Agency No. 354

July 1, 1995 Through June 30, 1996

Issue Date: January 31, 1997

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Overview

We performed the statewide single audit of the state of Washington for the fiscal year ended June 30, 1996. In accordance with the Single Audit Act of 1984, we audited the state as an entity, rather than each agency separately. The results of this audit will be published in a statewide single audit report which includes the following:

- An opinion on the financial statements.
- A report on internal control structure-related matters based solely on an assessment of control risk made as part of the audit of the financial statements.
- A report on compliance with laws and regulations that may have a material effect on the financial statements.
- An opinion on supplementary Schedule of Federal Financial Assistance.
- A report on internal controls over federal financial assistance.
- An opinion on compliance with specific requirements applicable to major federal financial assistance programs.
- A report on compliance with general requirements applicable to federal financial assistance programs.
- A report on compliance with laws and regulations applicable to nonmajor federal financial assistance program transactions tested.
- A Schedule of Findings and Schedule of Questioned Costs.

The work performed at the Workforce Training and Education Coordinating Board included procedures to satisfy the requirements of the 1996 statewide single audit and supplemental reviews and tests deemed necessary in the circumstances.

There was a finding, which is listed in the Schedule of Findings following this Overview, for the Workforce Training and Education Coordinating Board.

Brian Sonntag
State Auditor

January 6, 1997

WORKFORCE TRAINING AND EDUCATION COORDINATING BOARD

Agency No. 354

July 1, 1995 Through June 30, 1996

Schedule Of Findings

1. The Workforce Training And Education Coordinating Board (WTECB) Should Improve Reporting Of Federal Financial Assistance

Our review of the Schedule of Federal Financial Assistance disclosed the following:

- a. Expenditures and revenues reported in the Schedule of Federal Financial Assistance were not initially reconciled to the corresponding amounts in the state's Agency Financial Reporting System (AFRS) until found by the auditor.
- b. WTECB did not promptly post federal receivables and revenue in AFRS, nor were these federal revenues drawn in a timely manner. These amounts were due from the Department of Education's Vocational Education Basic Grant (CFDA 84.048), Consumer and Homemaking (CFDA 84.049), State Councils (CFDA 84.053), and Tech Prep (CFDA 84.243).

The state of Washington Office of Financial Management (OFM) *Policies, Regulations, and Procedures* manual, OFM 5.2.1.1.1 states:

Amounts reported as federal assistance should reconcile with amounts reported in the Agency Financial Reporting System (AFRS).

OFM Section 2.2.4.3.1(b) states:

Agencies are to promptly record receivables when the asset or revenue recognition criteria have been met or the underlying accounting event has occurred and the amount is determinable.

OFM Section 6.2.2.1.8(b) contains the following requirement:

Receivables are to be a matter of record promptly upon the completion of the acts which entitle the agency to collect the amounts owed it.

OFM Section 2.1.2.3.1(c) states:

Revenues related to expenditure driven grant agreements are recognized when the qualifying expenditures are made.

The *Code of Federal Regulations* (CFR), 34 CFR 80.41(c)(4), Financial Reporting, requires that:

Grantees must submit the report (Standard Form 272, Federal Cash Transaction Report) no later than 15 working days following the end of each quarter.

The lack of an accurate reconciliation, prompt posting of revenues and receivables, and timely submittal for federal expenditure reimbursement, resulted in the following deficiencies.

- a. Since AFRS closed before the reconciliation was performed, incorrect revenue and expenditure balances for several individual grants could not be adjusted and are therefore stated incorrectly in AFRS.
- b. Delay in identification of federal receivables and collection of related revenue resulted in tying up state resources when federal funds were available. Estimates show that the state could have earned over \$114,000 dollars in interest on these funds if the delay had not occurred.

WTECB attributes these errors to changes in staffing and in accounting responsibilities. Due to these changes, certain accounting reconciliations were not performed and discrepancies were not noticed until audited. WTECB has corrected the Federal Schedule of Financial Assistance and has taken steps to improve its accounting process.

We recommend that WTECB reconcile the Schedule of Federal Financial Assistance to AFRS and make adjusting entries prior to AFRS closing, promptly post federal revenues and receivables, and ensure federal revenue is drawn as soon as available.

Auditee's Response

The WTECB takes very seriously its role in the receipt and administration of U.S. Department of Education vocational education funds. After an internal review of its financial management responsibilities, and in order to streamline our work, the WTECB entered into an agreement with the Office of Financial Management's Small Agency Client Services (SACS) in July of 1995 to handle its financial and accounting services for the 1995-1997 biennium. During the transition, both agencies worked cooperatively to ensure that state and federal requirements were met. The loss of a key staff person in SACS during the fiscal year closing resulted in a delay in reconciliation of the Schedule of Federal Financial Assistance (SFFA) to the state's accounting system. SACS completed the reconciliation in time to assure that the SFFA was correct. Furthermore, we acknowledge that our routine interagency procedures were not sufficient to ensure timely federal revenue draw downs. We have put such procedures in place and are implementing them. Finally, the WTECB will review the responsibilities and duties carried out by SACS in advance of future agreements to assure that all financial management activities meet state and federal standards.

Auditee's Concluding Remarks

We appreciate the agency's response and will review corrective action during the course of our next audit.